

DEFENSE PRODUCTION ACT  
PROGRESS REPORT NO. 20

---

ALUMINUM PROGRAM

BY THE

JOINT COMMITTEE ON DEFENSE PRODUCTION  
CONGRESS OF THE UNITED STATES

EIGHTY-SECOND CONGRESS  
SECOND SESSION



JUNE 30 (legislative day, JUNE 27), 1952.—Ordered to be printed

---

UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1952

94006

# JOINT COMMITTEE ON DEFENSE PRODUCTION

(Created pursuant to Public Law 774, 81st Cong.)

BURNET R. MAYBANK, South Carolina, *Chairman*

PAUL BROWN, Georgia, *Vice Chairman*

J. WILLIAM FULBRIGHT, Arkansas

A. WILLIS ROBERTSON, Virginia

HOMER E. CAPEHART, Indiana

JOHN W. BRICKER, Ohio

WRIGHT PATMAN, Texas

ALBERT RAINS, Alabama

RALPH A. GAMBLE, New York

HENRY O. TALLE, Iowa

ALLEN E. PIERCE, *Staff Director*

ROBERT D. L'HEUREUX, *Counsel*

HAROLD J. WARREN, *Clerk*

# CONTENTS

---

	Page
<b>Introduction</b> .....	1
<b>I. General background</b> .....	1
(1) Reason for committee's interest.....	1
(2) Alcan's offers of February and April 1952.....	3
(3) Anderson's recommendation of May 16.....	4
<b>II. Analysis of reasons for purchase from Alcan</b> .....	5
(1) The need for more aluminum.....	5
(2) Aluminum for the stockpile.....	5
(3) Amity with Canada.....	8
(4) Electric power.....	9
(5) Fabricators.....	9
(6) The issue of monopoly.....	11
(7) General considerations.....	12
(8) Legal considerations.....	13
<b>III. Summary and conclusions</b> .....	15
(1) Domestic expansion versus purchase from Alcan.....	15
(2) Consultation with joint committee.....	15
(3) Staff study.....	15





## ALUMINUM PROGRAM

JUNE 30 (legislative day, JUNE 27), 1952.—Ordered to be printed

Mr. MAYBANK, from the Joint Committee on Defense Production,  
submitted the following

### REPORT

Your committee held hearings on May 26 and June 2, 1952, upon proposals by the Aluminum Co. of Canada. One of these proposals had been favorably recommended to the Administrator of the Defense Production Administration (hereafter referred to as DPA) by Mr. Samuel W. Anderson, Deputy Administrator for Aluminum, DPA. Mr. Anderson is generally known by the popular designation of the "Aluminum Czar." This proposal was under serious consideration by the Administrator of DPA at the time of the hearings.

#### I. GENERAL BACKGROUND

##### (1) REASON FOR COMMITTEE'S INTEREST

Section 712 (b) of the Defense Production Act of 1950, as amended, granting jurisdiction to your committee, provides in part:

It shall be the function of the committee to make a continuous study of the programs authorized by this act, and to review the progress achieved in the execution and administration of such programs.

The question of long-term United States Government contracts or commitments to purchase aluminum from the Aluminum Co. of Canada (hereinafter referred to as Alcan) has been in controversy since the very start of the current defense program.

All too often these pending proposals were shrouded in mystery and it was difficult for Congress to ascertain their terms or the reasons why they were being considered by various defense agencies. Another disturbing feature of these Alcan proposals was the fact that, despite repeated rejections of these offers by those in charge of defense mobilization, Alcan has been able to get prime consideration and support for its subsequent proposals from key mobilization officials.

One of the principal reasons for the hearings conducted by your committee was to get this matter out into the open. Another reason

is the unfortunate results which have flowed from this country's generous financial support given to Alcan during World War II which contributed materially to making it the world's largest aluminum producer. Despite this wartime assistance, Alcan has not cooperated as fully as it could have in helping this country cope with the aluminum shortages which developed as a result of increased military demands since Korea.

The Alcan proposals were as follows:

1. In August 1950 Alcan offered to supply 220,000 tons of aluminum for the military stockpile against a firm 3-year Government contract. As Mr. Larson testified, the United States Government was unable to persuade Alcan to make sufficiently large shipments here in 1951 and 1952 to justify a firm 3-year contract. The National Security Resources Board also weighed the Alcan offer against already pending proposals from United States producers to expand capacity here. The decision was that United States capacity expansion would promote national security more than stockpile purchases from Alcan on the terms it wanted. This offer was therefore permitted to lapse.

2. In December 1950, the Canadian Minister of Trade and Commerce, C. D. Howe, transmitted to Secretary of Commerce Charles Sawyer a new Alcan proposal based on the construction of a vast new power and aluminum plant at Kitimat, British Columbia, near Alaska. The August 1950 proposal was not based on any new construction, involving only the reactivation of plants idle since the war. In January 1951, Charles E. Wilson, Defense Mobilization Chief, indicated that this proposal was also unacceptable. His position was strongly supported by the March 1951 report of House Subcommittee on Monopoly Power which had held hearings on the Alcan proposal in January and February 1951 (82d Cong., 1st sess., H. Rept. No. 255). This development seemed to dispose of the issue quite conclusively, but rumors of impending new proposals persisted.

3. About September 1951, Mr. Charles Wilson, head of the Office of Defense Mobilization, told a member of your committee that he negotiated with Alcan in an attempt to purchase 100,000 tons of aluminum immediately but he was unable to obtain any (Fulbright, June 2, 1952).

4. In March of this year, your committee received information that DPA was considering a new Alcan proposal. In a hearing on March 21, 1952, Mr. Manly Fleischmann, then Administrator of the DPA, admitted that a proposal was then under consideration, but in answer to a question from Senator Fulbright, he replied: "My present opinion is that it should not be made without congressional approval."

Despite that assurance, there was a persistent rumor that Mr. Manly Fleischmann planned to reach an agreement with Alcan before he left the Government, which he had scheduled for June 1. This rumor received confirmation in the hearings before your committee when Mr. Fleischmann, discussing a Canadian aluminum proposal, stated on May 26:

I did want to decide this before I left, because I have been living with it.  
\* \* \* I cannot do that as far as I can see now. Therefore, there is no great time pressure.

That statement followed after your committee made it quite clear that it did not want DPA to make a determination before your committee

had satisfied itself that the proposals were in the interest of the United States.

The puzzling aspect of all these reported Canadian aluminum proposals is that your committee has been led to believe repeatedly by DPA that our national aluminum expansion program was progressing quite satisfactorily.

Two programs of aluminum expansion in late 1950 and in mid-1951 were authorized under the Defense Production Act of 1950. An expansion of 683,000 tons of annual capacity was launched. This amounted to a 91-percen' increase in aluminum capacity. Furthermore, there were 79,000 tons of uneconomic capacity which were re-activated by the Aluminum Co. of America (hereafter called Alcoa), making the total increase after Korea 762,000 tons, or a 102 percent increase.

The aluminum industry privately financed this huge expansion at a cost of approximately \$600 million. As recently as March 4, 1952, Mr. Manly Fleischmann testified before the Senate Banking and Currency Committee as follows:

In the aluminum situation, the prospects are very good indeed. We are getting more and more aluminum every month, and every quarter, and by sometime in 1953, we should have a comparatively easy situation in aluminum.

By 1954, whether or not we increase the plans for aluminum expansion again, we may be able to resume stockpiling which we have not done in many months.

In view of the apparent conflict within DPA itself between its repeated official announcements that the aluminum situation would be comparatively easy from 1953 on, and proposals that the United States Government should underwrite to the extent of millions of dollars the purchase of aluminum from the Aluminum Co. of Canada for delivery through 1958, your committee held these hearings on Canadian aluminum proposals which resulted in the issuance of this report.

## (2) ALCAN'S OFFERS OF FEBRUARY AND APRIL 1952

On November 9, 1951, DPA established the Office of Aluminum and named Samuel W. Anderson as Deputy Administrator for Aluminum.

At the beginning of your committee's hearings, Mr. Anderson had submitted his recommendations on the subject of purchasing aluminum from Alcan. These were based on Alcan proposals supposedly requested initially by DPA.

Alcan complied quite readily with these requests, the first offer having been submitted in February. Upon its expiration on April 18, 1952, Alcan submitted a more modest proposal which expired May 18, 1952.

Under each of these offers, the Aluminum Co. of Canada contemplated that it would increase its exports of metal to the United States beyond the approximately 100,000 tons per year it would probably send here in any case. The minimum amounts of metal which the company agreed it would offer to commercial buyers in the United States under each of the offers are shown in the following table, together with the amounts which the company requested the United States Government to purchase if commercial buyers could not be found for these amounts:

## ALUMINUM PROGRAM

[Short tons]

	Old offer		New offer	
	Minimum exports to the United States	U. S. Government commitment to purchase	Minimum exports to the United States	U. S. Government commitment to purchase
1952.....	86,000	0	80,000	0
1953.....	94,000	0	90,000	0
1954.....	170,000	0	140,000	50,000
1955.....	300,000	180,000	200,000	100,000
1956.....	300,000	180,000	200,000	100,000
1957.....	300,000	180,000	200,000	100,000
1958.....	300,000	180,000	200,000	100,000
1959.....	300,000	180,000	0	0
Total.....	1,850,000	900,000	1,110,000	450,000

Both offers contemplated that the metal would be offered for sale to commercial buyers at the going United States prices, duty paid (the duty is \$30 per ton) with the proviso that this price could be increased to the extent of any increase in the United States duty and by any amount by which freight to destination exceeded 1 cent per pound. The United States would have the right to cancel any portion of its obligation by the penalty payment of 5 cents per pound. Other details of the proposed terms and conditions were not set forth in Mr. Anderson's memorandum.

An interesting feature of these Alcan proposals is that upon being brought out into the open and publicly discussed by Government and industry, they have been successively and promptly followed by more modest proposals. This trend continued during the hearings. It would seem that some Government officials and Alcan are agreed upon one point at least, viz, if the United States will not underwrite the purchase of a huge amount of aluminum by its citizens or by the Government, it may be persuaded to underwrite a lesser amount.

## (3) ANDERSON RECOMMENDATIONS OF MAY 16

When your committee's hearings began the recommendations of Mr. Anderson were contained in a memorandum to the DPA Administrator dated May 16, 1952.

In brief, Mr. Anderson recommended that DPA proceed to discuss with Alcan a contract somewhat along the lines of their last offer, but contemplating a minimum level of exports to the United States of about 170,000 to 175,000 tons, as compared to the 200,000 tons stipulated in their last offer. Mr. Anderson estimated that this would mean a net addition to our metal supply of about 70,000 to 75,000 tons.

Mr. Anderson further recommended that if suitable contractors could be found, that we should authorize new aluminum metal facilities to the extent of about 75,000 to 80,000 tons annual capacity.

This was already a more modest proposal than those embodied in his first memorandum but under the searching analysis of your committee, Mr. Anderson agreed that several terms could be added that would greatly enhance the position of the United States in the negotiations for the purchase of aluminum from Alcan.



Accordingly, on May 28, during the course of the hearings, Mr. Anderson in a letter to the chairman of your committee, proposed a revised basis for negotiations with Alcan. The proposal contained terms which were more satisfactory because it reduced the contingent liability of the United States Government, from 450,000 tons (May 18 offer) to 200,000 tons. In addition, the proposal gave the United States Government a direct call for the stockpile on a maximum of 400,000 tons of aluminum from Alcan during the term of the contract. (Complete text of proposal, Hearings, Defense Production Act, Progress Report No. 19 pp. 994-996.)

Mr. Anderson stated that he had discussed his counterproposal with representatives of Alcan who indicated the company would negotiate "within this general framework."

## II. ANALYSIS OF REASONS FOR PURCHASE FROM ALCAN

### (1) THE NEED FOR MORE ALUMINUM

Manly Fleischmann, Administrator of DPA, has reached the conclusion that there should be some additional supply of aluminum (Fleischmann, May 26, 1952).

Mr. Samuel W. Anderson stated in the hearings that the needs are proving to be larger than had been heretofore supposed and that the stockpile objective may ultimately be greatly enlarged from its present goal.

He introduced into the record of the hearings a letter dated May 17, 1952, from J. D. Small, Chairman of the Munitions Board to Mr. Anderson.

Mr. Small stated that as their examination continued—

it appears to us that the aluminum requirements for all-out mobilization are proving to be materially greater than we had supposed heretofore.

Mr. Small also felt that it was likely that the stockpile objective would be "significantly higher than the one established at present—perhaps more than double." Mr. Small stated that it was too early to use precise figures.

Mr. Samuel W. Anderson, in his memorandum of May 16, 1952, recognizes the fact that the aluminum supply situation is quite satisfactory. He states:

\* \* \* about a year from now, therefore, we will be entering a period of ease and relatively free supplies of aluminum, with still further prospects of larger amounts to satisfy the natural growth in the demand. This should provide a good deal of leeway to the civilian economy in increasing its consumption and will also present opportunities in all probability, to begin the long upward climb to a respectable stockpile.

### (2) ALUMINUM FOR THE STOCKPILE

Mr. Manly Fleischmann advised your committee that there has not been a determination of the authorized stockpile goal (Fleischmann, May 26, 1952). This information was corroborated by Chairman Small of the Munitions Board in his letter of May 17, 1952.

Despite this fact, Mr. Anderson suggested to your committee that his belief in the need for more aluminum for the stockpile is the

motivating force behind his various proposals. On May 26, 1952, Mr. Anderson testified:

If I did not feel very strongly, and if I did not believe that the Defense Department felt very strongly that we should have a substantial stockpile of aluminum, of course I would not be proposing this expansion.

The Government should act cautiously before making additional commitments to purchase aluminum for the stockpile until such goal is definitely established. This was the position taken by Jess Larson, head of the Defense Materials Procurement Agency, which is authorized to make the Government's stockpile purchases, when he testified on May 26, 1952, as follows:

It is my personal feeling that until the feasibility of the stockpile goal can be reached that it is perhaps better to wait until that becomes firm, because it is tying up a lot of funds and a lot of potential contingent obligations that I think we ought to keep to a minimum.

As pointed out by Mr. Jess Larson on May 26, 1952, "the higher you increase your capacity to produce, the less important becomes your stockpile goal." Mr. Larson pointed out that the stockpile should provide for the lead time necessary to make the transition to a wartime economy and that as the capacity of the domestic industry was increased, the stockpile objective is "relatively less important."

DPA and the Munitions Board must act in the closest cooperation. The stockpile goal will probably be more modest if the decision is made to expand our aluminum capacity for our full additional requirements rather than to purchase available aluminum from Alcan.

There are very convincing arguments in favor of the aluminum stockpile because a stockpile of pig aluminum represents also a stockpile of power, of labor, and so forth, which have gone into the process of reducing bauxite ore to the primary metal. However, if the stockpile goal should be increased and if our domestic industry does not demand a greater amount of underwriting by our Government than does Alcan, there is no conceivable excuse for denying its offer to furnish whatever aluminum is necessary for the stockpile under terms similar to those offered by Alcan.

It should be noted that the proposed Alcan contract does not provide for further expansion in Canadian aluminum capacity. The company is proceeding with the Kitimat project in British Columbia under incentives authorized in the defense program of the Government of Canada, and has already obtained all the outside financing it requires for its expansion through 1954.

It is surprising that although Mr. Samuel Anderson's emphasis was placed on the need for stockpiling, there was no mention by DPA prior to May 28, 1952, of the desirability of insisting upon a term whereby deliveries from Alcan could be earmarked for the stockpile. When questioned at the hearings, both Mr. Manly Fleischmann and Mr. Anderson agreed that such a term should be incorporated in any contract with Alcan. They explained that the proposals had never reached the point of negotiation and that they would insist that such a term be incorporated in any future contract.

However, it would seem that any invitation to Alcan to submit an offer should have suggested this all-important term, if stockpiling were the main objective. In his letter of May 28, 1952, to the chairman of your committee, Mr. Anderson provided for a proposed "call" to



be given to the United States Government for stockpile purposes. This is a vast improvement over prior proposals.

Furthermore, from the time Mr. Anderson issued his memorandum of February 26 until the day of your committee's hearing including his prepared statement for that hearing—his fundamental position was that the Government should rely on unsaleable surpluses as the only "realistic" source for the military stockpile and that Alcan should therefore be required to do nothing more than offer certain minimum tonnages to the United States civilian market. Consequently, there is a fundamental conflict in the May 28 proposal as outlined by Mr. Anderson between the Government's "call" privilege which he inserted in response to your committee's comments and his basic plan, namely, to stockpile only when there are surpluses.

The committee takes note also that through the GSA, the Government already has contracts to purchase for the stockpile large amounts of aluminum when surpluses develop. Under present contracts with domestic producers, the Government has agreed to purchase the new capacity production for 5 years to the extent that it becomes surplus. Approximately 3,000,000 tons of production is covered by these contracts.

Mr. Anderson's recommendation for the purchase of aluminum from Alcan is based in part upon the fact that he hazards a guess that—

the undeniable requirements for an all-out war during the third or perhaps second year would be unlikely to fall below 2,250,000 to 2,500,000 tons.

While it would seem that the path of wisdom would lie in first ascertaining as closely as possible what the aluminum requirements for all-out mobilization will be under the Munitions Board's findings, your committee cannot take issue with the desire of DPA to act prudently and cautiously in assuring our Nation that it will have an adequate supply of aluminum in the event of all-out war. If an error is to be made in ascertaining our future national needs, your committee feels that this error should be made on the side of national security.

However, none of these considerations are necessarily an argument in favor of purchasing aluminum from Alcan. If it is possible to expand production domestically, your committee cannot understand why DPA hesitates to award contracts for such expansion. Neither can it see why DPA has considered any Alcan offer until after all the possibilities of expansion here have been exhausted.

In late 1950 and mid-1951, DPA decided to expand our domestic aluminum industry rather than Canada's. It did so under the incentives contained in the Defense Production Act of 1950, and other existing laws. Your committee commends DPA for its prompt action which resulted in about doubling our national aluminum capacity. If modern warfare makes the anticipated future supply of aluminum inadequate, your committee expects DPA to take the prompt and vigorous action it has taken in the past.

Your committee has not criticized and evidently could not blame DPA officials for taking advantage of the incentives contained in the Defense Production Act of 1950 and other existing laws to expand our domestic aluminum industry. No reason can be seen why a decision so well taken in favor of domestic expansion in late 1950 and mid-1951 should be reversed in favor of purchasing aluminum abroad if a need for still more aluminum is now evident.

## (3) AMITY WITH CANADA

Secretary of Commerce Sawyer in a letter to the chairman of your committee on May 23, 1952 wrote:

I should like to call your attention that on October 26, 1950, a document was signed between the United States and Canada, representing a "statement of principles for economic cooperation." The first principle set forth in this statement was "In order to achieve an optimum production of goods essential for the common defense, the two countries shall develop a coordinated program of requirements, production, and procurement." In my judgment that policy stated a desirable, if not essential objective. I assumed that when we signed for the United States, we meant what we said. Our economic and cultural ties with Canada are closer than with any other country—it is the part of wisdom to encourage and not discourage that objective.

In his testimony before your committee on June 2, 1952, Secretary Sawyer added:

So far as the production of aluminum or the efforts made to secure aluminum are concerned it is pretty clear from all of the information which comes to me that in the foreseeable future we will not have an adequate supply, certainly no excess supply of aluminum on this continent, and by continent I mean North America.

Secretary Sawyer testified that he had discussed the possibility of our purchase of aluminum from Canada with Mr. C. D. Howe, Canadian Minister of Trade and Commerce, as recently as "a week, or 2 weeks ago," and that he had told Mr. Howe at that time that, "I [Secretary Sawyer] had not changed my mind, due to the fact that I thought part of the supply should come from Canada."

A similar position based upon Canadian-American cooperation had been taken by a representative of the State Department early last year before the Subcommittee on Study of Monopoly Power of the House Committee on the Judiciary. The subcommittee significantly concluded its report as follows:

There is nothing in the Canadian-American agreement for cooperation that requires American officials to act contrary to the philosophy of competitive enterprise written so indelibly in 1890 in the United States laws, or to give hand-outs of millions of American dollars. \* \* \*

Your committee agrees that the Canadian-American cooperation agreement has absolutely no bearing upon the issue of purchasing aluminum from Alcan when our domestic producers are able and willing to expand to furnish that aluminum without requiring more underwriting from our Government. There is nothing in our agreement of cooperation with Canada that requires the United States to prefer Canadian companies over domestic producers of aluminum when funds of the Treasury are at stake.

DPA does not rest its case upon such a contention. The argument was laid at rest when Representative Rains asked Mr. Samuel Anderson during the hearings:

The basis for your memoranda is strictly on a hard-headed business proposition, is it not? It has nothing to do with trying to build any further good will between us and our neighbors to the north, has it?

Mr. Anderson replied:

No; it is purely designed to get us what I think we need, which is additional aluminum under circumstances which appear to me to be quite attractive.

## (4) ELECTRIC POWER

In a statement before your committee on May 26, 1952, Mr. Samuel Anderson said:

Additional metal supplies from Canada, as distinguished from the United States, will necessarily relieve our power system, struggling desperately to keep up with our over-all load from this further impact on its resources either presently in being or for future construction.

In his memorandum to the Administrator of DPA on May 16, 1952, Mr. Anderson stated:

The most outstanding fact about aluminum is that it consumes very large amounts of power. \* \* \*

A stockpile of aluminum, representing as it does a stockpile of about 10 kilowatt-hours for every pound (a million tons represents a stockpile of 20 billion kilowatt-hours) could be one of the most valuable assets possessed by the country in the event of war.

Mr. Anderson's remarks constitute a convincing argument in favor of a stockpile, with which your committee does not take issue. However, these arguments do not justify any preference for stockpile purchases or capacity expansion in Canada rather than in the United States.

Your committee's attention was called to an article from the American Metal Market of April 1, 1952, in which Secretary Chapman, Secretary of the Interior, expressed his views on one of the Alcan proposals. The article read in part:

Any long-term agreement with the Aluminum Co. of Canada for the import of aluminum is not sound so long as room exists for the further expansion of domestic capacity Oscar Chapman, Secretary of the Interior said here in an interview. \* \* \*

The Interior Secretary stated that the necessary inexpensive power to support such an expansion can be found.

The vice chairman of your committee expressed concern at the possibility of no further developing electric power domestically. Addressing Mr. Samuel Anderson he stated on May 26, 1952:

I certainly do not want to hamper the production of more electric power in this country. I think your contract with Canada will tend to do that.

In view of Secretary Chapman's testimony, particularly, your committee agrees that our present electric power situation should be an encouragement to the agencies concerned to expand our domestic aluminum industry rather than to purchase this metal from Alcan.

## (5) FABRICATORS

Mr. Samuel Anderson in the hearings before your committee stressed the importance of purchasing aluminum from Alcan for the benefit of independent aluminum fabricators. He stated that DPA found the sentiment among most of the independent fabricators very clear in favor of his original (February 26, 1952) proposal. Upon further questioning, it developed that Mr. Anderson was relying on letters "from I think six or seven" of the 20 or 25 fabricators with whom he had discussed the Alcan proposal. Communications from independent fabricators to your committee were preponderantly opposed to any program which would increase their dependence on Alcan or any other foreign source of aluminum.

Mr. Anderson, during his testimony, implied that there was a conflict of interest between the integrated United States producers and the thousands of independent fabricators by virtue of the fact that the producers fabricate a large portion of their pig and ingot production. This view is expressed even stronger in the statement of Representative Emanuel Celler, chairman of the House Committee on the Judiciary, sent to your committee on May 26, 1952, in which he said:

To begin with my primary interest lies in the welfare of the 14,000 independent fabricators and the fifty-odd independent extruders of aluminum and aluminum products.

These small concerns can obtain raw materials from a limited market, which, in the United States, is controlled solely by the Big Three—Alcoa, Reynolds, and Kaiser. Because of the forward integration of the three large primary producers the small extruders and fabricators are placed in the anomalous position of having to purchase their raw materials from their principal competitors.

Apparently, there is considerable confusion over this issue because the term "fabricator" is rather loosely used in the aluminum industry. Some people use the term to cover every stage of processing beyond the raw ingot stage. The confusion arises out of the assumption, as indicated in Representative Celler's statement, that all fabricators use ingot. According to the record before this committee, this is not the fact. The preponderant majority of the independent fabricators, apparently use semifinished mill products, such as sheet, foil, rod, bar, wire, extrusions, or tubing.

Insofar as independent fabricators use ingot and the demand exceeds the supply, it is true that they are dependent for their source of supply on integrated producers who also use ingot. But the great majority of independent fabricators apparently are not in that position. They need and use the semifinished products which constitute the bulk of the products which the integrated producers offer for sale. There is no competition for raw material between this much larger body of fabricators and the integrated producers because the finished product of the integrated producer is the raw material of most fabricators.

With reference to the group of fabricators using ingot, the Government has made provision in its contracts with the United States producers covering the current expansion program that two-thirds of the new capacity should be made available to independent fabricators in the event the Government itself does not require the metal. That means 442,000 tons of new production annually during the first 5 years of operation. In addition, the United States producers agreed to offer 25 percent of the new production to independent fabricators for 15 years thereafter. These ingot supplies will be available without the necessity of any additional commitments or contracts by either the Government or the independent fabricators. Your committee feels that there is no basis at this time for any claim that the future of independent aluminum fabricators is being jeopardized. On the contrary, it seems that the terms of the United States expansion program have greatly improved the supply situation for these fabricators whether they use ingot or semifinished aluminum.

Notwithstanding the difficulties surrounding the establishment of a producer of primary aluminum on a nonintegrated basis—and the difficulties are great due to the large investment required compared to the relatively low price of the metal in pig form—there seems to



be no incontrovertible evidence that the Alcan contract will provide the happy solution for the independent fabricators of aluminum products in this country. Actually, Alcan is also an integrated producer. Its fabricating capacity, plus that of its affiliated companies, exceed one-half of its ingot production and the company has for many months past advertised for sale in the United States its fabricated aluminum. Unquestionably, Alcan, as does every other integrated producer in the world, prefers to sell its output in fabricated rather than ingot form.

It is understandable that any manufacturer wants more competition among primary producers. Your committee also would prefer to see more primary producers brought into the aluminum field. However, that is no excuse for preferring a foreign monopoly over domestic producers who are willing to produce aluminum at no greater risk or cost to the Government.

Your committee commends DPA for the wise provision it has made in past contracts with our domestic industry to assure a substantial supply of aluminum to independent fabricators. Your committee feels that DPA can and should make similar or better provisions in future contracts for domestic expansion. However, your committee cannot see the wisdom of resorting to Alcan for the protection of our independent fabricators. Any contract for domestic expansion can contain equally good terms for the benefit of independent fabricators.

Furthermore, despite the oft-repeated claims that the Anderson proposals would increase substantially our imports of aluminum from Canada, it is noteworthy that none of them would add materially to available civilian supplies in this country before 1955. The 1953 and 1954 "commitments" by Alcan would amount to their continuing to offer to this country's civilian market just about the volume of Canadian aluminum already being made available here.

By 1955, the military build-up is expected to level off and the greater part of this country's 4-billion-pound annual supply will be available for civilian use including, of course, independent fabricators.

In addition, Alcan has reported forward sales contracts with a number of industrial customers in the United States with total deliveries contemplated by these contracts in the amount of 309,000 tons for the years 1952-59.

Your committee believes that Alcan will continue to seek customers in this country. It does not need the inducement of a Government underwriting in order to compete successfully with our domestic aluminum industry.

#### (6) THE ISSUE OF MONOPOLY

The most remarkable argument made in favor of a proposed contract for aluminum from Alcan was the claim that it was an anti-monopoly move.

On May 26, 1952, Mr. Manly Fleischmann in a statement before your committee stated:

Further expansion by these concerns [the three United States producers] which already dominate the domestic supply, is thought by the Department [of Justice] to be an unhealthy development for the American aluminum consumer.

That there is no monopoly today in the aluminum industry was made clear by the aluminum "czar," Mr. Anderson, when he testified before your committee on May 26, 1952, as follows:

I do not want my remarks to be taken as a conviction that there is a monopoly in the aluminum industry today. I do not think there is. I believe the competition between the Big Three is very vigorous, indeed.

This country has traveled a long way from monopoly toward competition in the aluminum field in the last 12 years. In 1940, there was only one domestic primary metal producer. This was Alcoa, then involved in a prolonged antitrust litigation with our Government. Finally, it was adjudged, in 1945, a monopoly by the United States court of appeals, sitting as a court of last resort. (See 148 F. 2d. 416.) Meanwhile, Reynolds Metals Co. had entered into the industry in 1940. This resulted in substantially lower prices for primary aluminum pig. In fact, the price of aluminum today is below 1939 levels. That can be said of aluminum alone among all existing metals of wide usage. After the war, in 1946, Kaiser Aluminum & Chemical became a producer. And a fourth producer, Anaconda, will go into operation next year.

In view of these developments, your committee feels that competition is much more evident among the aluminum producers in the United States than it is in Canada where Alcan is a 100-percent monopoly. Alcan, as has already been stated, is of course completely free to come into the United States market and compete unrestrainedly with the United States producers. The tariff is so low that it offers no real barrier at all. To promote more competition in the United States will require more United States producers.

Making fabricators here more dependent on a foreign monopoly, already the world's largest producer, cannot advance the cause of competition in the United States.

#### (7) GENERAL CONSIDERATIONS

What then can have prompted the constant desire on the part of our Government officials to seek a deal with Alcan? That is a most baffling question. Mr. Samuel Anderson, Mr. Fleischmann, and all admit readily that our domestic industry can expand in time to produce the desired aluminum; American producers have told DPA verbally and in writing that they are willing and able to meet the appropriate aluminum goals. They seek no more underwriting from the Government than did Alcan. In fact, one company seeks less.

All domestic production is privately financed. American producers since Korea have expanded their capacity almost 100 percent at a cost to them of over \$600,000,000. Considerations of security and dispersal of plants favor domestic expansion. Our country can control the distribution of our domestic production with much more certainty than that of foreign sources.

Alcan can produce aluminum more cheaply than can American producers generally, but none of that saving has been passed on to American purchasers, despite the fact that United States Government World War II contracts contributed greatly to making Alcan the lowest cost producer.

This country is not engaged in total war, but is waging a bitter and costly war in Korea. This Nation is making the biggest sacrifice



of any nation in men, supplies, and money to the United Nations cause in Korea. Despite that fact, and despite the fact that Alcan produced about 100 million pounds more of aluminum in 1951 than in 1950, Alcan cut its shipments to this country's users of aluminum 115 million pounds below its 1950 shipments here. This is a most potent argument in favor of further domestic expansion.

Although Alcan would pay the tariff which would allow us to procure the aluminum at 1½ cents per pound below the domestic price, this is far outweighed by the fact that we would lose an estimated 6 cents per pound in taxes, to say nothing of the taxes lost on personal incomes and the employment benefits which our people and States would not obtain.

Although DPA officials complain of their difficulty in obtaining new independent primary producers, they contemplate entering into a deal with Alcan that will make it still more difficult to interest a new-comer in the field.

Primary producers of aluminum in this country have not counted the risks involved in doubling the national capacity at the request of the Government. Some believe that we have overexpanded. Still, if further expansion is to be undertaken, they want to compete for it on equal terms with their competitor, Alcan. If there is underwriting to be undertaken by our Government, officials of this Government should realize that they owe a greater obligation to domestic producers than to Alcan.

While Alcan is seeking constantly to secure long-term contracts from our industry and from our Government to assure their sales in a possible weak market, our officials seriously consider underwriting those sales which may be in direct competition with our primary producers. The least that can be done by our officials is to allow our domestic industry to expand to meet the new demand if they are willing and able to do so.

#### (8) LEGAL CONSIDERATIONS

The basic authority claimed by DPA for a contract with Alcan is title III—Expansion of Productive Capacity and Supply—of the Defense Production Act of 1950, as amended. Section 303 of the act provides that—

to assist in carrying out the objectives of this act, the President may make provision for purchases of or commitments to purchase metals, minerals, and other materials for Government use or resale.

The same section further provides that—

purchases and commitments to purchase and sales \* \* \* may be made without regard to the limitations of existing law, for such quantities, and on such terms and conditions, including advance payments, and for such periods, but not extending beyond June 30, 1962, as the President deems necessary.

Section 304 of the act provides, in part that—

any department, agency officer, or corporation utilized pursuant to this section is authorized, subject to the approval of the President to borrow from the Treasury of the United States such sums of money as may be necessary to carry out its functions under sections 302 and 303: *Provided*, That the amount borrowed under the provisions of this section by all such borrowers shall not exceed an aggregate of \$2,100,000,000 outstanding at any one time.

Something over \$500,000,000 of that \$2,100,000,000 is still available, so Mr. Manly Fleischmann, the Administrator of DPA concluded that

DPA without congressional approval could commit up to \$132,000,000 which would perhaps not be expended until 1958 under one of the Anderson proposals, or for presumably any amount up to the \$500,000,000. Mr. Fleischmann felt that congressional approval would be required only if additional funds were required from Congress. It is particularly because of this attitude on the part of DPA that your committee requested that no deal be made with Alcan until this report was issued.

The reasons for the broad authority contained in the provisions of the Defense Production Act quoted above are quite obvious. The Congress was familiar with the fact that it would be necessary in some cases to enter into long-term contracts in order to get at a very difficult situation, thereby obtaining nearby deliveries and satisfying immediate requirements. It, therefore, allowed such contracts to be made until 1962.

Pursuant to this clear congressional intent, long-term contracts have been made for rare strategic items, such as cobalt and beryl which are not produced in adequate supply in this country for our requirements.

Mr. Jess Larson advised your committee that he thought—

the longest term of foreign contract that we have entered into is about 7 years and that was in the case of tungsten, which is not produced in adequate supply in this country.

The provision that certain purchases, commitments and sales may be made "without regard to the limitations of existing laws," was not intended obviously to reverse all policies contained in prior laws or American traditions, but it was designed to facilitate the task of administrative officials when they found a proposed action in conflict with a law that was not suited to the emergency.

It is noteworthy that section 303 starts out with the words, "To assist in carrying out the objectives of this Act \* \* \*." It was never the intention of Congress to override or supplant existing laws and procedures such as the act of July 23, 1946, pertaining to stockpiling.

Under the Stockpiling Act, the objective for the stockpile is fixed by the Munitions Board in consultation with the Secretary of the Interior. Procurement for the stockpile is accomplished by the General Services Administration, headed by Mr. Jess Larson.

Because the Anderson proposals are directed mainly at accumulating a larger supply of aluminum for the stockpile, it is difficult to understand why they were so completely worked out in detail without thorough consultation with the agencies mainly interested in the stockpiling.

In the course of the hearings there was testimony indicating that DPA officials had consulted with the agencies primarily responsible for the stockpile casually in some instances and not at all in others. Mr. Anderson arbitrarily established his own stockpile objective of 2,500,000 tons and moved forward with his plans for the Alcan contract disregarding the fact that procurement for the stockpile is accomplished by DMPA. The Deputy Administrator for aluminum was not justified in ignoring stockpile goals determined pursuant to the Stockpiling Act nor should the provisions of the DPA Act be used to carry out a stockpiling program when there is no good reason for departing from normal procurement procedures.

## III. SUMMARY AND CONCLUSIONS

## (1) DOMESTIC EXPANSION VERSUS PURCHASE FROM ALCAN

For reasons discussed at length in the preceding paragraphs, your committee urges that any additional supply of aluminum found necessary for the stockpile or the defense effort be obtained when economically feasible from our domestic aluminum industry.

It is most questionable whether the Alcan contract could ever be of any real benefit to us, and it is certain that it would be of little, if any, during the years 1952-54 which are the crucial ones with regard to the defense program. It is therefore desirable that the United States wait to see how the situation develops and, should it prove necessary, next year encourage the building of domestic plants. Because American producers have demonstrated their ability to construct new plants in less than a year, these would still be ready by 1954.

Insofar as possible, the expanded capacity should be allocated to nonintegrated domestic producers of primary aluminum. In any event, the filling of long-term defense needs from domestic sources is preferable to the purchase of critical and strategic metals outside this country, even if it means new capacity can be built only by partially integrated producers.

Your committee recommends strongly that DPA devote as much of its energy and resourcefulness in the months ahead to the establishment of new United States producers as it has since February to the promotion of the Alcan proposal. If for business and economic reasons a wholly nonintegrated new producer cannot be created, then perhaps there can be a compromise solution, some combination of independent fabricators who would offer part of their ingot production to others and use part of it themselves. With the future of aluminum so bright, it should be possible to develop some reasonable basis for one or more new United States producers.

## (2) CONSULTATION WITH JOINT COMMITTEE

Subsection (b) of section 712 of the Defense Production Act of 1950, as amended, pertaining to your committee's jurisdiction, provides:

Any department official, or agency administering any of such programs shall, at the request of the committee, consult with the Committee, from time to time, with respect to their activities under this Act.

Under the provision of this subsection, your committee requests that any pending or future proposal for the purchase of aluminum from sources other than our domestic industry be submitted to the chairman of your committee, whether while Congress is in session or out of session, for review.

## (3) STAFF STUDY

Although the record is clear on this question of a long-term contract with Canada, a number of questions regarding aluminum and the defense program have been brought to the attention of the committee.

We believe that a review should be made of developments in the domestic aluminum industry which is so vital to the national defense: To what extent has competition been created since the monopoly of Alcoa ended? Have the defense agencies given proper consideration to applications from new companies who wanted to enter the primary aluminum field during the recent expansion programs? Can means be found to establish small independent producers who do not have integrated fabrication facilities?

Accordingly, your committee has authorized its staff to conduct a study of our aluminum program during the interim before the next session of Congress.

It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry.

It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry.

It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry.

It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry.

It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry.

It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry.

It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry. It is the policy of the United States to maintain a strong and independent domestic aluminum industry.